

Interest was paid by the banks to the government at the rate of four per cent, for the first fifty days, five per cent, for sixty days, and six per cent, for any longer period. The announcement of this measure allayed anxiety in the West and permitted the prompt movement of the crops. The amount of notes issued was \$5,315,000, all of which was promptly returned and cancelled when the crisis was over.<sup>1</sup>

Out of this strain upon Canadian banking resources grew a further extension of the elasticity of the note issue, by the Act of July 20, 1908.<sup>2</sup> This act provided in substance for additional note issues under a heavy tax. The authority to make such issues was limited to the period from October in any year to January 31st following, and the rate of the special tax was to be fixed by the Governor in Council, but at not more than five per cent. The proceeds of the tax go into the Consolidated Revenue Fund of Canada. Notes may be issued under these provisions, upon the initiative of the bank, but the amount must not exceed fifteen per cent, of paid-up capital and reserve funds.<sup>3</sup> This authority was availed of during October, 1908, by five banks to the amount of \$677,956 in notes in excess of paid-up capital.

It is maintained by the friends of the Canadian system that the combination of large capitals and numerous branches has many advantages beyond the mere supply of banking facilities. It secures on the one hand a unity of policy on the part of the leading banks in times of stringency far different from the playing at cross-purposes which distinguished the action of the national banks of the great reserve cities in the United States in the panic of 1893 against the smaller banks of the interior and the far West. The Canadian system, on the other hand, does not sacrifice one section to another, but enables the managers of the large banks to distribute accommodation evenly throughout their system,

<sup>1</sup> Ottawa letter in *New York Evening Post*, June 1, 1908, i.

<sup>2</sup> Act of 7-8 Edward VII., ch. 7.

<sup>3</sup> It was stated by the Minister of Finance, while the bill was pending, that this would permit an issue of "emergency currency of \$24,-619,385—much more than sufficient to meet any possible contingency."